

2011-2012 PERFORMANCE PLAN – Chief Operating Investment Officer (J. Guillot)

Page 1 of 3

All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
40%	Total Fund Performance	Excess return in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-13 basis points = 0 +13 basis points = 1.0 +27 basis points = 1.5
10%	Affiliate Investment Program Performance	Excess return in basis points relative to benchmark for Legislators, Retirement Systems Fund, Judges' Retirement System fund, CA Employers' Retiree Benefit Trust Fund, Long-term Care Fund, CalPERS Custom 457 Plan Index Performance Benchmark. {SKZRA1 – CPERAIPD}	0 basis points = 0 +10 basis points = 1 +15 basis points = 1.5
5%	Operational Excellence – Straight-thru Processing	Excess performance over industry affirmation average for Domestic Equity, International Equity and Domestic Fixed Income internal transactions as measured by Omgeo Benchmarks.	90 percent = 0 93 percent = 1.0 95 percent = 1.5
55%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
25%	Organizational Systems, Processes and Controls	By June 30, 2012, drive implementation of specific Target Operating Model and rapid results initiatives to improve organization systems, processes and controls: <ul style="list-style-type: none"> • Master Custody Implementation • Risk Management System Implementation • Public Markets Portfolio Management System Implementation (operational and data phases) • Private Equity Valuation Oversight Model • Investment and Operational Compliance • Financial Reporting and Management Information Improve financial reporting/management information to enable cost reduction across INVO.	From schedule

Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30

2011-2012 PERFORMANCE PLAN – Chief Operating Investment Officer (J. Guillot)

Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
15%	Investment Office Leadership and Management	<p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From schedule

Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30

2011-2012 PERFORMANCE PLAN – Chief Operating Investment Officer (J. Guillot)

Page 3 of 3

Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
5%	Enterprise-wide Initiatives and Collaboration	By June 30, 2012, continue to improve collaboration between the Investment Office and other CalPERS divisions/branches, including enhancing the INVO IT working relationship, participating in development of the Enterprise Risk Management Framework and establishing the CalPERS CFO function.	From schedule
45%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Incentive Schedule

Total Fund: FY 2012-13: target 0/20/30